GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:242
ANSWERED ON:09.12.2005
CREDIT TO SSI
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Will the Minister of FINANCE be pleased to state:

(a) whether the quantum of credit to small scale industries (SSI) units and the number of SSI units assisted has declined during the last three years;

(b) if so, the details thereof, year-wise;

(c) whether the Government has chalked out a new strategy to boost small and medium-sized industries;

(d) if so, the details thereof;

(e) whether the Government proposes to enhance the limit for credit linked capital subsidy;

(f) if so, the details thereof; and

(g) the extent to which SSIs would be benefited therefrom?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (g) : A statement is laid on the Table of the House.

STATEMENT PLACED ON THE TABLE OF LOK SABHA IN REPLY TO PARTS (A) TO (G) OF LOK SABHA STARRED QUESTION NO.242 FOR ANSWER ON 9 DECEMBER, 2005 REGARDING `CREDIT TO SSI` TABLED BY SHRI RAYAPAITI SAMBASIVA RAO AND SHRI RAM SINGH KASWAN.

(a) & (b) No, Sir. The year-wise data given below indicates that there has been an increase in the credit flow to Small Scale Industries (SSI) Sector and the number of registered SSIs has also gone up.

Year	Credit to SSI Amount O/s (Rs. In crores)	No. of Registered 5SIs (lacs Nos.)
2002-03	52.988	14.68
2003-04	58,278	15.54
2004-05	67,634	16.38

(c) & (d) Yes, Sir, A `Policy Package on Stepping up credit to SME sector` has been announced in the Par1iament on August 10, 2005 which inter-alia includes fixing self targets for funding Small and Medium Enterprises (SMEs) to achieve a minimum 20% year on year growth in credit to SMEs. The objective is to double the flow of credit to the SME sector by 2009-10, i.e. within a period of 5 years. The credit to small scale units which stood at Rs.67,600 crore for 2004-05 is to be raised to Rs.135,OOO crore by 2009-10. Reserve Bank of India has issued instructions in this regard advising all banks to implement the policy measures. The salient features of the policy package are annexed.

(e) & (f) The Government of India has enhanced the limit for Credit Linked Capital subsidy for the up-gradation of the Small scale industrieS from Rs. 40 lacs to Rs. 1 crore. The scheme is being administered by SIDBI. Under the scheme 15% back ended capital subsidy is granted to SSI entrepreneurs for loans up to Rs. 1 crore for technology upgradation.

(g) So far. 901 SSI units in the countlY spread across various products/sub-groups have availed the subsidy to the extent of 23.79 crere. After the extension of the scheme, large number of units coming under various approved products/sub-groups would be able to achieve technology upgradation at subsidized rates.

Annex

SALIENT FEATURES OF THE POLICY PACKAGE ON STEPPING UP CREDIT TO SMALL AND MEDIUM ENTERPRISES

Fixing of self-targets for financing to SME sector by banks

Government of India has indicated minimum 20% year on year growth for credit flow to the SME sector. The objective is to double the flow of credit from Rs. 67,600 crore in 2004-05 to Rs. 135,200 crore to the SME sector by 2009-10, i.e. within a period of 5 years.

Reserve Bank of India (RBI) has been emphasizing on enhanced credit flow to this sector through various policy measures from time to time. The recent initiative being the `Scheme of Small Enterprises Financial Centres (SEFCs)` under which SIDBI will be co-financing with commercial bank branches to SMEs in identified clusters.

Measures to rationalize the cost of loans to SME sector

Banks may initiate necessary steps to rationalize the cost of loans to SME sector by adopting a transparent rating system with cost of credit being linked to the credit rating of enterprise. SIDBI has developed a Credit Appraisal & Rating Tool (CART) as well as a Risk Assessment Model (RAM) and a comprehensive rating model for risk assessment of proposals for SMEs. The banks may consider to take advantage of these models as appropriate and reduce thair transaction costs.

Measures to increase the outreach of formal credit to the SME sector

All banks, induding Regional Rural Banks to make concerted efforts to provide credit cover on an average to at least 5 new small/medium enterprises at each of their semi urban/urban branches per year.

Cluster based approach for financing SME sector

In view of the benefits accruing on account of cluster based approach for financing SME sector due to reductlon in transaction costs, mitigation of risk, etc., banks may treat it as a thrust area and increasingly adopt the same for SME financing.

Debt restructuring mechanism and a One Time Settlement (OTS) Scheme for SME sector

The problem of sickness is prevalent in the SME sector due to globalization/liberalization and stiff competition from domestic and multinational corporates. Further, large number of borrowal accounts in the books of commercial banks are under stress due to various reasons. In order to enable banks to recover old NPAs and clean up their balance sheet and also to provide relief/concessions to SME borrowers, a One time Settlement (OTS) Scheme and Debt restructuring mechanism for SME sector covering outstanding amount up to Rs. 10 crore in the books of banks have been announced.